

***Delaware Health Resources Board
Nationwide Healthcare Review Committee Meeting Minutes
Thursday, August 31, 2017 2:00 PM
Thomas Collins Building
540 South Dupont Highway Dover, DE 19901
DDDS First Floor Conference Room 106***

Review Committee Members Present:

Mark Thompson Chair, John Walsh and Theodore (Ted) Becker.

Staff Present:

Roopa Sabesan and Latoya Wright.

Call to Order and Welcome

The meeting of the Review Committee for Nationwide Healthcare (Nationwide) was called to order at 2:07 p.m.

Review of Nationwide Healthcare LLC Application

The Review Committee reviewed the application along with the Internal Staff Analysis document.

It was stated that on March 9, 2017, Nationwide Healthcare (Nationwide) submitted a Notice of Intent to construct a 150 bed skilled nursing facility in Milford DE. The application was received on July 7, 2017 with an estimated capital expenditure of approximately \$5-6 million. The public notice was posted on July 20, 2017. There was one request for a public hearing which makes the review period 120 days from the date of the public notice. The details for the public hearing will be forth coming.

Project Summary and Background Information

Nationwide Healthcare Services, LLC ("Nationwide") is a progressive, innovative, and expanding management company of skilled nursing and rehabilitation centers, with six facilities located throughout Delaware and Pennsylvania. Meir Gelley, Nationwide's President and Chief Executive Officer, has 28 years of experience managing healthcare facilities. Nationwide has entered into an Agreement of Sale with Bayhealth Medical Center, Inc. ("Bayhealth") to purchase Bayhealth's Clarke Avenue properties, a 22-acre site located along Clarke Avenue in Milford, Delaware that includes Bayhealth Milford Memorial Hospital and surrounding buildings (the "Clarke Avenue Campus"). Nationwide's business model involves Nationwide, through a wholly-owned subsidiary, purchasing the Clarke Avenue Campus and leasing space to tenants, including a second wholly owned subsidiary that will operate the skilled nursing facility that is the subject of this application. Lease income will offset debt service and operating expenses, with reserves for replacement and a reasonable return on invested capital. Nationwide, upon receiving approval to operate the skilled nursing facility, is prepared to close on the purchase of the property, to renovate the existing hospital

building for use as the skilled nursing facility, and to renovate additional space in the existing hospital building and elsewhere on the Clarke Avenue Campus for other tenants as leases are signed.

The application states Nationwide plans to transform the Clarke Avenue Campus into an innovative, healthcare-focused multi-use community called the Nationwide Milford Wellness Village (the "Wellness Village"), consistent with Delaware's "Triple Aim" regarding its health system. The Triple Aim consists of improving the health of Delawareans, improving the patient experience of care, and reducing healthcare costs. Delaware plans to further these aims through its "Healthy Neighborhoods" model, which integrates communities with their local care delivery systems and better connects community resources with each other. The Wellness Village is designed to follow this model, and will be comprised of tenants that are chosen and configured in such a way to improve health status and reduce costs, with a special focus on seniors at various levels of pre- and post-care acuity.

Skilled Nursing and Rehabilitation

The centerpiece of the Nationwide Milford Wellness Village is the facility that is the subject of the application — the Nationwide Nursing Home. Nationwide plans to convert the second and third floors of the existing four-story Milford Memorial Hospital building (with an entrance and lobby on the first floor) into a skilled nursing and rehabilitation facility to provide quality skilled nursing care to the residents of Milford, Sussex County, and the surrounding areas. The Nationwide Nursing Home will occupy approximately 58,000 square feet of the 222,500 usable square feet of the Wellness Village complex (26%). Nationwide has designed the facility to consist of 150 beds, 30 of which will be part of a dedicated Memory Care Unit focusing on patients with Alzheimer's and dementia. The application provides floorplans of the layout and designs of the proposal.

The Wellness Village

The skilled nursing facility will have a close nexus to the other healthcare-related services to be provided as part of the Wellness Village consistent with both pre- and post-acute care and emerging healthcare reforms. In addition to the Nationwide Nursing Home, the Wellness Village will offer, through third-party tenants, a variety of other healthcare-related and ancillary services such as primary care, chronic disease management, a LIFE/PACE Center, childcare, allied health and other education and training. In this manner, the Wellness Village will further the aims of the Health Resources Management Plan by offering convenient access to a variety of quality, affordable healthcare-related services and by offering a managed, coordinated approach to serving the healthcare needs of the senior population in Sussex County.

In addition, Nationwide plans to develop the Wellness Village with a focus toward attracting businesses that will create jobs for the community and provide continuity with Bayhealth's new health campus project, a 169-acre hospital and outpatient center along Route 1 adjacent to the Route 30 overpass that is scheduled to open in 2019 ("Bayhealth Sussex Campus"). Nationwide plans to bring its vast experience managing skilled nursing and rehabilitation centers to Milford, Delaware through purchase of the current Milford Memorial Hospital building and surrounding campus. Nationwide plans to transform the Clarke Avenue Campus into an

innovative healthcare-focused Wellness Village comprised of tenants chosen and configured in such a way to improve health status and reduce costs, with a special focus on seniors at various levels of pre- and post-acute care. The centerpiece of the Wellness Village will be the Nationwide Nursing Home, a 150-bed skilled nursing and rehabilitation facility that will offer rehabilitation for patient's post-acute care, long-term care for patients with chronic disease, and a dedicated 30-bed Memory Care Unit focusing on patients with Alzheimer's and dementia. With this application, Nationwide plans to renovate what has become an outdated short-term acute care hospital into a vibrant skilled nursing facility that will meet a great need in the community resulting from a combination of short supply and a growing and aging population.

Letters of support from the general assembly, schools, local government officials and organizations (Attachment G) were included in the application.

Review Considerations

The Review Committee reviewed the following criteria for the proposal to determine whether the application meets or does not meet each criterion.

Criterion I: The relationship of the proposal to the Health Resources Management Plan (HRMP)
The Guiding Principles were discussed:

Principle 1 – Application should demonstrate consideration of access, cost, and quality of care issues.

The Nationwide Nursing Home is being proposed with consideration to access, cost, and quality of care, as discussed throughout the application and summarized below.

Access:

The nursing facility will enhance access for service area residents as follows:

- Ensure access to skilled nursing and rehabilitation services for residents of the City of Milford, Sussex County, and surrounding areas.
- Provide access to a variety of healthcare-related and ancillary services by establishing nursing facility within Nationwide Milford Wellness Village.
- Help address the need for skilled nursing services as identified in the Health Resources Management Plan and by Bayhealth in its letter of support (Attachment G).

Cost:

Nationwide plans to utilize as much of the existing Milford Memorial Hospital building as possible in constructing the Nationwide Nursing Home in an effort to contain costs. For example, to the extent possible, Nationwide will repurpose existing hospital rooms into skilled care rooms to utilize existing infrastructure, plumbing, electrical hookups, etc. Nationwide's architect has confirmed that the existing space is suitable for the intended reuse.

Principle 2 – Applicants are expected to provide care for the medically indigent.

Nationwide expects that many residents of the nursing facility will be dual eligible (Medicare/Medicaid). With its other Delaware facilities, Nationwide has made it a priority to provide outstanding care to the Medicaid and medically indigent populations in the surrounding communities, and it plans to continue that tradition with this proposed facility.

Principle 3 - Projects should support a managed, coordinated approach to serving healthcare needs of the population.

All Nationwide nursing homes employ an integrated care management and care coordination service to meet the healthcare needs of the population. Each patient in Nationwide's skilled nursing facility will be assigned a Transition of Care Navigator whose responsibility will be to provide the patient, family, and caregivers with the education, skills, and tools to allow for the confidence in ensuring a more active role in the patient's care. The Transition of Care Navigator will assist patients discharged from an acute care hospital setting to the skilled nursing facility for short-term rehabilitation, nursing services, or other skilled needs and ultimately through their discharge to home.

Principle 4 – Applicants are expected to take into account the availability of out-of-state resources.

The application states, the closest out-of-state skilled nursing facilities to the proposed Nationwide Nursing Home are located over 20 miles away in Denton, Maryland. Many potential residents of a skilled nursing facility are elderly, frail, and typically not in a condition to travel long distances to receive the skilled nursing and rehabilitation services Nationwide plans to offer. Additionally, recovery in a setting close to home, where family and friends are able to conveniently visit in familiar surroundings, accelerates healing and eases the burden on family and friends during a stressful time. This makes travel out of state to receive skilled nursing and rehabilitation services an inconvenient option.

Principle 5 – Projects which reflect or promote incentives for over-utilization are to be discouraged.

The proposed nursing facility is designed to promote efficiency and decrease utilization. Nationwide plans to offer 150 beds, which is 74 fewer beds than the projected need for Sussex County contained in the most recent Health Resources Management Plan. Nationwide's team of expert professionals and the latest technology and equipment will provide residents with individualized, patient-centered care, intent on helping them reach their full potential and return home to their cherished routines. By expediting the residents' recovery, Nationwide will reduce Medicaid and Medicare days and, therefore, decrease the cost to the State and Federal government.

Principle 6 – Projects enhancing meaningful markets are to be encouraged.

The Nationwide Nursing Home is being designed specifically to address a demonstrated need in the healthcare continuum in Sussex County with respect to subacute care and rehabilitation.

Nationwide states there is currently a shortage of nursing home beds in Sussex County. This results in few choices for patients, over-utilization of existing facilities, and a lack of competition in the market to drive down costs and improve quality. The interplay between the proposed nursing facility and the rest of the Wellness Village, as well as with the Bayhealth Sussex Campus, will also enhance the market.

Principle 7 – Projects that encourage prevention activities such as early detection and the promotion of healthy lifestyles will be viewed as a very positive attribute.

Promoting a healthy lifestyle, together with prevention and early detection, are foundational to Nationwide's mission and core values. Nationwide promotes ten lifestyle elements such as:

- Deep Breathing Therapy
- Hydration
- Proper Nutrition
- Exercise
- Appropriate Rest
- Spiritual/Social
- Health Goals/Action
- Safety/Habits
- Health Metrics/Labs
- Doctors/Health Systems

The Review Committee discussed the applicant using 58,000 square feet of the facility to occupy the nursing home and a remainder of 222,500 unusable square feet. The Review Committee sent a follow up question to the applicant inquiring if they anticipate using the remainder space for future expansions.

The Review Committee agreed the application meets criterion I.

Criterion II: The need of the population for the proposed project
The need of the proposal was discussed.

Population's Need for Proposed Services

It was noted the application asserts to the increase in the number of admissions to private nursing homes in Sussex County between the years of 2005 and 2015. According to the 2015 Delaware Nursing Home Utilization Statistics Report, the number of admissions to private nursing homes in Sussex County increased by 63.2%. The 2015 bed need projections presented to the Health Resources Board on July 28, 2016 projected a statewide shortage of nursing home beds of 725. There was a shortage of 276 beds in Sussex County.

It was stated that according to the 2015 Delaware Nursing Home Report, the number of admissions to private nursing homes in Sussex County increased by 63.2%. It was also noted that on July 28, 2016, the Board the 2015 bed need projections was presented to the Board which showed a statewide shortage of 725 beds. There was also a shortage of 276 beds in Sussex

County. The 2016 bed need projections will be presented to the Board at the September 28, 2017 Health Resources Board meeting.

Service Area Definition and Population Forecasts

The application stated that Nationwide believes it will attract patients primarily from Sussex County. Over the past years, the population in Sussex County has grown which is a trend that is expected to continue with the continuation of the influx of retirees.

Utilization of Like and Existing Services

The need of the proposed nursing facility is evidenced by the extent of utilization of like and existing services in the service area. The need of a 150-bed skilled nursing facility is necessary.

Utilization Rates of Existing Providers

Between 2005 and 2015, utilization rates for private nursing homes in Sussex County have been around 90% according to the 2015 Delaware Nursing Home Utilization Statistics Report.

The Review Committee agreed the application meets criterion II.

Criterion III: The availability of less costly and/or more effective alternatives to the proposal, including alternatives involving the use of resources located outside the state of Delaware.

Nationwide noted there are no reasonable substitutes for skilled nursing and rehabilitation facilities. Home care is a less expensive delivery model, but is not adequate for the level of acuity of patients recently discharged from the hospital who are unable to function at home without constant supervision or special equipment. Acute care, while an adequate delivery model, can be three to four times as expensive as a skilled facility. Assisted living facilities are generally not equipped to handle subacute patients as they are intended for a more independent lifestyle, and costs can be higher than in a subacute setting.

There was a discussion surrounding the need for home and community based services and PACE centers, however it was noted that these services are not the same as nursing home services.

The Review Committee agreed the application meets criterion III.

Criterion IV: The relationship of the proposal to the existing health care delivery system.

Through its Ancillary and Clinical Services division, Bayhealth is organizing post-acute care for its ancillary service lines, consisting of Orthopedics, Cardiovascular, Neurosciences, Oncology, and Rehabilitation Services with bundled payments in mind. Bundled payments involve reimbursement to providers according to expected costs for clinically defined episodes of care. Bayhealth and Nationwide are in discussions regarding clinical integration for Nationwide's nursing home services. It is expected that healthcare third party tenants of the Wellness Village will also be included in the clinically integrated network, allowing for efficient and seamless care under the emerging handled care reimbursement environment.

Anticipated Impact on Existing Providers

It is anticipated that adding beds to the existing supply will have a minimal impact on existing providers because those providers are currently operating at or near capacity, as noted above. Also, as noted above, there is currently a shortage of skilled nursing beds in Sussex County. Delivering a new supply of subacute beds will relieve much of the stress currently felt in the healthcare continuum. Hospitals will be able to discharge patients more easily out of the high- cost acute setting into the lower-cost subacute setting. Due to the high occupancy of the existing subacute facilities, hospital discharges are often delayed, increasing healthcare costs.

Referral Arrangements

The following payers are currently contracted with Nationwide: Highmark, United Healthcare, Medicare, Blue Cross/Blue Shield Commercial, Cigna, Cigna Health spring, Humana, Life, Life LTC, Tricare, and Aetna. Hospice providers who are currently contracted with Nationwide include Compassionate Care, Delaware Hospice, Heartland Hospice, Seasons Hospice, and Vitas Hospice. Nationwide also has a contract with the Veterans Administration.

There was a discussion surrounding palliative care and if Nationwide have agreements with palliative care providers. The Review Committee sent a follow up question to Nationwide inquiring if they have those agreements.

Also a question was sent to Nationwide to provide clarity on all diagnostic services they provide and if they perform those services or if they are contracted out to other providers to include dialysis services as well.

The Review Committee agreed the application meets criterion IV.

Criterion V: The immediate and long-term viability of the proposal in terms of the applicant's access to financial, management and other necessary resources.

It was stated Nationwide have previously demonstrated its ability to plan, develop, build, and operate quality healthcare facilities. As a result, Nationwide has relationships with several lending institutions that have financed its projects in the past and have expressed a high level of interest in financing the proposed project. The estimated financial capital required to fund the skilled nursing facility construction is \$4.5 million, which will be funded through a conventional mortgage and a line of credit. As shown in the enclosed financial projections, this should be sufficient to cover the capital costs of this project. Nationwide is prepared to purchase the property and renovate the space for its skilled nursing facility. Subsequent to those activities, Nationwide is prepared to renovate space for other tenants as leases are signed. Nationwide has engaged Dynamis Advisors Inc. To provide development and management services. Dynamis has 21 years of experience designing and financing large projects nationally, with a special emphasis on healthcare-focused communities. Nationwide and Dynamis have the manpower necessary to manage the development process and the facility.

The Review Committee agreed the application meets criterion V.

Criterion VI: The anticipated effect of the proposal on the costs of and charges for health care.

The application for the proposed project included the following projected costs during its first full year of operations:

Financial Impact (first full year of operations):

Estimated effect on annual expenses: \$ 6,894,570

Estimated effect on annual revenue: \$ 6,453,767

Estimated effect on individual charges: \$ N/A

It was noted, because the Nationwide Nursing Home will provide capacity to accept patients in a timely manner from local hospitals, Nationwide anticipates the facility will have a positive impact on healthcare costs by providing a conduit for moving patients from a higher cost setting to a lower cost setting in a faster time frame than the system has been able to accommodate in the past.

The Review Committee discussed Schedule 4 in the application which provided the statement of revenue and expenses for the first two years of operations.

The Review Committee agreed the application meets criterion VI.

Criterion VII: The anticipated effect of the proposal on the quality of health care.

The application noted the proposal will have a positive impact on the quality of health care to include a wide array of activities and services to include, memory care, respiratory programs, a transition of care program, rehabilitation services and diagnostic services. The Nationwide nursing home will offer vast improvements in the delivery of skilled and rehabilitation services. In an effort to advance Delaware's State Plan to address Alzheimer's disease, the new facility will offer specialized programs for dementia and Alzheimer's residents based on their interests and abilities. Nationwide's team of expert professionals and the latest technology will provide residents with a state of the art facility with individualized, patient-centered care. Nationwide noted by expediting the residents' recovery, they will reduce Medicaid and Medicare days, therefore decreasing the cost to the State and Federal government. It was also stated the skilled nursing home will promote a continuum of care in the health care system. Nationwide stated all of their facilities are recognized for their expert post acute services, skilled nursing care, goal oriented therapies and home like environments. The facility will be energy efficient and meet or exceed all guidelines provided by the American with Disabilities Act (ADA).

The Review Committee discussed the state's behavioral health and substance needs and the possibility of integrating those needs with the skilled nursing care needs. The Review Committee sent a follow up question to Nationwide inquiring if they plan to integrate the skilled nursing care with those needs and does the application address those issues.

The Review Committee agreed the application meets criterion VII.

Next Steps

The follow up questions will be sent to Nationwide for responses. The public hearing date will be scheduled and sent out to all parties. After the public hearing is held, the Review Committee will meet again to discuss the responses to the follow up questions, the written comments, public hearing testimony and deliberate on the application to provide a recommendation to the Board.

Adjourn

The meeting adjourned at 2:53 p.m.

Guests Attending

Nationwide Healthcare
First State Surgery Center